

# Healthy Co-operation

David Griffiths

Chairman, Co-operative Federation of Victoria Ltd

Secretary, Co-operative Energy Ltd

Secretary, Southern Energy Co-operative Ltd

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This paper discusses the co-operative option for health care in small communities by addressing five questions: What is the co-operative model? Does the co-operative model work in practice? When are co-operatives successful and why? Why is the co-operative model ignored and opposed? What is the co-operative opportunity for small communities?

## What is the co-operative model?

The co-operative difference is independent businesses that are locally owned and controlled by the members they serve. They are governed by democratic principles.<sup>1</sup>

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The principles of co-operation are:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

**1. Voluntary and Open Membership.** Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**2. Democratic Member Control.** Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organised in a democratic manner.

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<sup>1</sup>Co-operative Federation of Victoria Ltd **The Co-operative Model**. 1998



**3. Member Economic Participation.** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

**4. Autonomy and Independence.** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

**5. Education, Training and Information.** Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

**6. Cooperation among Cooperatives.** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

**7. Concern for Community.** Cooperatives work for the sustainable development of their communities through policies approved by their members.

Co-operatives have existed in Australia for over 100 years, and a number formed early this century still exist today. A co-operative is often formed in response to market or government failures or imbalances. Small consumers, producers and businesses are often at a disadvantage in dealing with or competing against larger corporations. A co-operative gets its strength by group action. By working together, people and businesses gain market strength by combining resources and influences to achieve results and benefits that cannot be effectively achieved individually.

Membership of a co-operative is voluntary, and is usually based upon a specific group of persons who have a unifying interest. Members can include individuals and/or corporate bodies.

Co-operatives in Australia are governed by and incorporated under state legislation. A new national legislative scheme for regulating co-operatives is presently being put into place by state and territory governments. Queensland, Victoria and NSW have recently enacted new co-operatives legislation, with the remaining states adopting new acts over the coming year. Co-operatives will now have similar powers and responsibilities as companies.

## **Does the co-operative model work in practice?**

Some relevant statistical information to illustrate the complexity, size and significance of the co-operative movement:

- ✓ In the U.K. there are 53 retail co-operative societies in the UK with over 8 million members, more than 67,000 full time staff and a turnover of 7.8 billion pounds.
- ✓ In the USA about 30% of farmers' products are marketed through co-operatives, more than 20 co-operatives have sales in excess of \$1 billion, rural electric co-operatives provide electricity for 25 million people and credit unions have 69 million members and assets in excess of \$US 100 billion.
- ✓ In Canada the co-operatives have assets in excess of \$167 billion, 14.8 million members and 151,000 employees. ~~There are numerous examples of co-operative health care providers throughout the world.~~



- ✓ In Australia there are 293 credit unions with 3,244,665 members,<sup>2</sup> 25 of Australia's largest co-operatives had a combined turnover of \$7.5 billion in 1998 – including two Victorian dairy co-operatives (Bonlac Foods and Murray Goulburn) with an annual turnover of more than \$1 billion each.<sup>3</sup>

The history of the co-operative movement is about individuals and their communities creating their own history and not waiting for governments and policies to change or act. The following co-operatives are examples of health care initiatives:

**The Rural Wisconsin Health Co-operative (USA)**  
**The Saskatoon Community Clinic (Canada)**  
**GP Co-operatives (Scotland)**  
**The Group Health Co-operative (U.S.A.)**  
**The NTUC Healthcare Co-operative Limited (Singapore)**  
**The Yeoval Community Hospital Co-operative Ltd (N.S.W)**  
**South Kingsville Health Services Co-operative Ltd (Victoria)**

**The Rural Wisconsin Health Co-operative (USA)** was established in 1979 to promote a co-ordinated system of rural health care. It's members are 24 rural acute, general medical-surgical hospitals and one university.

**The Saskatoon Community Clinic (Canada)** was established in 1962. The co-operative has approximately 5500 member households and employs 120 full and part-time staff out of three clinics. The annual operating budget is approximately \$6 million.

In Scotland, there are 37 **GP Co-operatives** providing out of hours services - 75% of patients are covered by the GP co-operatives and 25% by others.

**The Group Health Co-operative (U.S.A.)** has its headquarters in Seattle, Washington, and was established in 1947. There are 608,714 members and 9,602 staff (7,179 fte) and revenue in 1998 was \$1.3 billion.

**The Singapore NTUC Healthcare Co-operative Limited** has 70 member clinics and medical centres, 6 dental outlets, a retail pharmacy chain and 30,000 members of a Managed Healthcare System.

**The Yeoval Community Hospital Co-operative Ltd (N.S.W)** was established in 1989 following the closure of the Yeoval Public Hospital in 1988. The re-opened hospital was the first multi-purpose centre in NSW - a hospital, nursing home and hostel, day care centre, general health services and outreach services including community nursing and Meals on Wheels.

**The South Kingsville Health Services Co-operative (Victoria)** was formed in 1986 with a clinic in South Kingsville to provide a high quality health service to serve the local community. In 1993 the co-operative purchased a second clinic in Newport.

## **When are co-operatives successful and why?**

There are a number of critical factors which determine the success of co-operatives.

- ✓ An agreed and ongoing commitment to service and democracy.
- ✓ Agreed objectives which benchmark decisions and activities.

<sup>2</sup>CUSCAL Credit Unions: The Inside Story, 1996

<sup>3</sup> See John Gill Milking Co-ops Victorian Co-operative News Volume 5 Number 3, June – July 1999, p 2



- ✓ An understanding of and commitment to active membership.
- ✓ The potential users of the co-operative are its active founders and members.
- ✓ An appropriate mix of funding and the greater ~~the greater~~ the proportion supplied by members the greater the success.
- ✓ A member relations program which is ongoing and systematic and not just a PR exercise.
- ✓ An appropriate board - management relationship and the co-operatives activities are not determined by the competencies of the manager.
- ✓ A co-operative education program that is systematic and ongoing.

Co-operatives have benefits and limitations. Some of the limitations are common to all enterprises. Other limitations are the product of a voluntary movement based on democracy. Like political democracy, economic democracy is not achieved by the establishment of a co-operative. This has to be continuously striven for and includes ongoing co-operative education programs for members and staff, the continuing accountability of managers and CEO's and gender imbalances on the boards of co-operatives.

But, because co-operatives are democratic policies and practices can be challenged and changed.<sup>4</sup>

## **Why is the co-operative model ignored and opposed?**

Despite the history of successful co-operatives, the co-operative model is virtually ignored in public policy debate generally and in the specific debate on health care reform.<sup>5</sup>

### **Public Policy Debate**

There are three interdependent explanations for this exclusion - the dependency of individuals and their communities, the reticence of the co-operative movement and professional elitism through ignorance or knowledge.

The dependency factor is the induced and/or coerced and/or voluntary disempowerment of individuals and their communities. The basis of this disempowerment is the belief that individuals and communities are passive victims of circumstances created by others. It is a belief that as individuals and communities we cannot challenge or change these circumstances. It is a belief that change depends on others and, in particular, the private and public sectors and celebrities - individuals who are well known for their well knowingness. This is exemplified in the report of the Productivity Commission

The co-operative movement is essentially a movement of economic empowerment - individuals and communities working together for their mutual benefit. Co-operatives are created when individuals and their communities decide to do something themselves instead of waiting for someone else to do it for them

The co-operative movement is reticent to promote co-operation. In the U.K., the U.S.A. and Europe there is a resurgence of co-operation and its advocacy - and marketing the co-operative

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<sup>4</sup> **Co-operative Benefits and Limitations**, Cooperative Information Report 1 Section 3, United States Department of Agriculture, Agricultural Co-operative Service, May 1990

<sup>5</sup> See the statement of the International Co-operative Alliance for the 77<sup>th</sup> International Co-operative Day on 3 July 1999, Public Policy and Co-operative Legislation. The statement is reproduced as follows: Co-ops & Public Policy, **Victorian Co-operative News**, Volume 5 Number 3, June - July 1999, p 6



advantage.<sup>6</sup> In Australia, there is no resurgence. Vern Hughes has asked: Why is it that co-operation remains in a backwater in Australia? Why aren't co-operatives and mutuals on the offensive at a time when globalisation is shaking our economy and society to its foundations and calling forth new ways and new models? Why is the co-operative movement so conspicuously absent from public debate?<sup>7</sup>

The work of the Productivity Commission typifies the exclusion of the co-operative option from public policy debate. In a recent draft report the Commission has identified what it regards as effective regional development policies. What the Commission defines and identifies as effective is general and selective government assistance which is "focussed on attracting industry and development to country Australia..."<sup>8</sup>

The Commission argues for "getting the fundamentals right." According to the Commission, this means "policies" which "need to be able to raise the productivity of a region or lower its costs to overcome any inherent locational disadvantage."<sup>9</sup>

The Commission's draft report also discusses "helping regions to help themselves." The Commission's version of self-help is local government and regional development organisations playing "a useful role in facilitating regional development and improving a region's capacity to adjust to changing economic circumstances." Co-operative ventures by councils and further amalgamations of councils are also identified as other ways that the country can help itself.<sup>10</sup> The consistent theme of the Productivity Commission is adjustment rather than opportunity and choice. It is argued that adjustment assistance "should focus on helping individuals to meet a changing environment. It is not about stopping change or maintaining all existing communities."<sup>11</sup>

With limited resources, the Federation has attempted to enter the public policy debate with a variable and usually limited impact to counter submissiveness and articulate a model of community development through co-operatives.<sup>12</sup> The co-operative model of community development is based on individual and community empowerment from the bottom-up through the ownership and control of co-operative businesses.

There are two distinct themes of ownership that have emerged in the public policy debate about ownership. The first theme is that ownership is irrelevant to outcomes and consumers. At its most bizarre this argument leads to the creation of and advocacy for hybrid forms of ownership. The

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<sup>6</sup> A good example of this is the U.K's Co-operative Wholesale Society which has been reinventing itself. Co-op Values, **Victorian Co-operative News**, Volume 4 Issue 5, October – November 1998, p 2 and Open Co-operation with the UK's CWS, **Victorian Co-operative News**, Volume 4 Issue 6, Dec 1998 – January 1999, pp 4 - 5

<sup>7</sup> Vern Hughes Which Way Co-operation?, **Victorian Co-operative News**, Co-operative Federation of Victoria Ltd, Volume 5 Issue 1, Feb-March 1999, p 1

<sup>8</sup> Productivity Commission **Impact of Competition Policy Reforms on Rural and Regional Australia**, Draft Report, May 1999, p 325

<sup>9</sup> **Ibid** p 326

<sup>10</sup> **Ibid** pp 349-350

<sup>11</sup> **Ibid** pp 346

<sup>12</sup> Co-operative Federation of Victoria Ltd **The Co-operative Model**, 1998, and **Co-operatives and Public Policy**, 1998



second theme is that there should be competitive neutrality between private and public enterprises.

But, the form of ownership does make a difference - to outcomes and consumers or producers. The following table summarises these differences between a company and a co-operative:

	<b>Co-operative</b>	<b>Company</b>
Powers	Not limited.	Not limited.
Primary activity(ies)	Provided in Rules.	Nil.
Voting	One member one vote.	Voting rights usually with number of shares.
Shares	Limit on proportion of shares held by any one member.	No limit on number of shares held.
Service	End	Means
Profit	Means	End
Profit distribution	No or limited distribution. Surplus could be rebates to members. Dividends are limited.	No limit on dividends.

In the USA, the co-operative model has greater recognition and a National Commission on Small Farms reported in 1998 on the growing need and interest in co-operatives among producers and developed a number of recommendations to strengthen the role of co-operatives in assisting small and disadvantaged farmers.<sup>13</sup>

Public policy debate is dominated by what Ivan Illich has identified as professional imperialism<sup>14</sup> - a celebrity elite who use their knowledge, resource and experience to control and too often manipulate debate and, therefore, the options and choices.

Historians have ignored the co-operative model. Our history is not simply an objective reality it is also defined and created by historians who decide what is included and excluded as history. Historians in Australia have neglected the co-operative movement and I have explored this elsewhere.<sup>15</sup>

The exclusion of the co-operative option is typical and is also reflected in Victorian Government policy of Self-Governing Schools.<sup>16</sup> But, then, those who should know better also find it difficult to include the co-operative option such as the People Together Project Public Inquiry into State Education. While the Inquiry was established to "inquire into, and report to the people of Victoria" and encouraged involvement, the Inquiry first agreed and then cancelled an invitation to the Co-operative Federation of Victoria Ltd to make a 15 minute presentation of their submission.

<sup>13</sup> National Commission on Small Farms, **A Time to Act: A Report of the USDA National Commission on Small Farms**, U.S.A. Government, January 1998

<sup>14</sup> Illich, Ivan **Medical Nemesis The Expropriation of Health**, Calder & Boyars, 1975. This working paper is about the medical establishment and its threat to health and the medicalization of life.

<sup>15</sup> David Griffiths **Co-operatives and Social Change**, Paper presented to 4<sup>th</sup> National Conference of the Australian Association for Social Research, Australian Catholic University, Ballarat, 5 - 8 February 1998

<sup>16</sup> Schools and Co-operatives, **Victorian Co-operative News**, Co-operative Federation of Victoria Ltd, Volume 5 Issue 1, February-March 1999, p 5 See also **School Co-operatives**, Co-operative Federation of Victoria Ltd, 1998



## Health Policy Debate

I would now like to briefly examine the specific exclusion of the co-operative option from public policy debate on health care reform.

The Co-operative Federation of Victoria Ltd has made a submission to the Commonwealth Government's General Practice Strategy Review. The subsequent report and the Government's response of 10 June 1998 did address consumer issues but not the option of co-operative ownership and control. The emphasis is on consumer representation and representatives - rather than consumer ownership and control. The Report, for example, recommended that consumers be actively involved in all planning structures and processes that relate to health planning, policy and service delivery in improving the quality of and access to general practice services. In response, the Government said that it recognised the importance of having consumer involvement in matters relating to the delivery of general practice.

How the co-operative option is excluded from public policy debate varies. The Department of Human Services recently released a resource document on legal and organisational options for providers of primary health and community support services.<sup>17</sup> The report does recognise that there is a co-operative option but the comments are variable and are significantly incomplete and misleading about the difficulties and application of co-operatives.

What is equally significant is the underlying message of the report - the co-operative model is not preferred and is problematic. Which PHACS providers, then, will choose to negotiate with the Department of Human Services about their legal structure - as well as funding levels and service agreements?<sup>18</sup>

The Federation had earlier made a submission in response to the Aged, Community and Mental Health discussion paper **Towards a Stronger Primary Health and Community Support System** (June 1998). The submission's focus is on consumer and provider empowerment through co-operative action and how this was central to a consumer-focused service system.<sup>19</sup> The submission had suggested that: "If consumers and/or providers choose to form co-operatives, then, this option should be facilitated and not discouraged." The submission did not anticipate that the formation of co-operatives would be actively discouraged.

### What is the co-operative opportunity for small communities?

The choice is not whether or not we can do anything but what we choose to do - to be passive or active..<sup>20</sup>

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<sup>17</sup> Aged, Community and Mental Health **A Stronger Primary Health and Community Support System Provider Collaboration Options: A PHACS Information Resource**, Department of Human Services, April 1999

<sup>18</sup> There is an analysis of this in **Misleading Co-operation**, *Victorian Co-operative News*, Co-operative Federation of Victoria Ltd, Volume 5 Number 2, June - July 1999, p 1

<sup>19</sup> Co-operative Federation of Victoria Ltd **Towards a Consumer Focused Primary Health and Community Support System**, 1998

<sup>20</sup> National Rural Electric Co-operative Association **A Practical Guide to Business Planning**, 1997, and **A Practical Guide to Avoiding Common Small Business Mistakes** 1997



The first is to accept that individuals and small communities can do something if they choose to work together for mutual benefit. Most co-operatives would not have started and survived if their members had simply looked at things as they were and asked why. Co-operatives go beyond this and ask why not - why not do something, why not work together for our mutual benefit and why not make a difference.

The second is to be clear on what objective is to be achieved by mutual action. The possibilities for action and that means deciding whether there is a capacity to work together for a common objective and that means making decisions, adapting to change, coping with competition, planning, patience and persistence.<sup>21</sup>

The third is to recognise the barriers to this agreed objective - including over optimism and unrealistic expectations, inappropriate partnerships, zeal instead of common sense, skimming the cream, egos and avoiding tough decisions.

The fourth is to seek partners who will support the community in the development of the venture or project - partners who will resource and support and not deplete and undermine.

The fifth is to persist in achieving the objective by confronting dependency, reticence and elitism and recognise their influence on our thinking and behavior - how they impact on what we believe is possible.

The challenge, then, is a simple choice - economic empowerment or disempowerment. Each individual and community has this choice. We can only empower ourselves. It is not something that is given to us by someone else and it will not be easy. But, then, that is our choice - to either passively lament change or actively work for change.

25 May 1999

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<sup>21</sup> See these two publications by the Co-operative Federation of Victoria Ltd Vern Hughes **Opportunities for Co-operatives in Health Care**, Discussion Paper No. 3, April 1997 and **Social Care Co-operatives**. 1998 See also Graeme Charles **Rural Communities and Co-operation**, **Victorian Co-operative News**, Volume 4 Issue 5, October - November 1998, p 8 and Neil Smith **Co-operative Newspaper**, **Victorian Co-operative News**, Volume 5 Number 2 April - May 1999, p 6 and Mutuality Australia **Integrated Health Care Co-operative**, 1999